

Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 6/30/13	3 Mos. Ended 6/30/12	% Change	6 Mos. Ended 6/30/13	6 Mos. Ended 6/30/12	% Change
Operating Revenues	\$ 29,786	\$ 28,552	4.3	\$ 59,206	\$ 56,794	4.2
Operating Expenses						
Cost of services and sales	11,033	10,896	1.3	21,965	22,215	(1.1)
Selling, general and administrative expense	8,047	7,877	2.2	16,195	15,577	4.0
Depreciation and amortization expense	4,151	4,128	0.6	8,269	8,156	1.4
Total Operating Expenses	<u>23,231</u>	<u>22,901</u>	1.4	<u>46,429</u>	<u>45,948</u>	1.0
Operating Income	6,555	5,651	16.0	12,777	10,846	17.8
Equity in earnings of unconsolidated businesses	120	72	66.7	115	175	(34.3)
Other income, net	25	34	(26.5)	64	53	20.8
Interest expense	(514)	(679)	(24.3)	(1,051)	(1,364)	(22.9)
Income Before Provision for Income Taxes	6,186	5,078	21.8	11,905	9,710	22.6
Provision for income taxes	(988)	(793)	24.6	(1,852)	(1,519)	21.9
Net Income	<u>\$ 5,198</u>	<u>\$ 4,285</u>	21.3	<u>\$ 10,053</u>	<u>\$ 8,191</u>	22.7
Net income attributable to noncontrolling interests	\$ 2,952	\$ 2,460	20.0	\$ 5,855	\$ 4,680	25.1
Net income attributable to Verizon	2,246	1,825	23.1	4,198	3,511	19.6
Net Income	<u>\$ 5,198</u>	<u>\$ 4,285</u>	21.3	<u>\$ 10,053</u>	<u>\$ 8,191</u>	22.7
Basic Earnings per Common Share						
Net income attributable to Verizon	\$.78	\$.64	21.9	\$ 1.46	\$ 1.23	18.7
<i>Weighted average number of common shares (in millions)</i>	2,865	2,849		2,866	2,846	
Diluted Earnings per Common Share ⁽¹⁾						
Net income attributable to Verizon	\$.78	\$.64	21.9	\$ 1.46	\$ 1.23	18.7
<i>Weighted average number of common shares-assuming dilution (in millions)</i>	2,872	2,858		2,873	2,854	

Footnotes:

(1) Diluted Earnings per Common Share includes the dilutive effect of shares issuable under our stock-based compensation plans, which represents the only potential dilution.

Certain reclassifications have been made, where appropriate, to reflect comparable operating results.

Condensed Consolidated Balance Sheets

(dollars in millions)

Unaudited	6/30/13	12/31/12	\$ Change
Assets			
Current assets			
Cash and cash equivalents	\$ 1,788	\$ 3,093	\$ (1,305)
Short-term investments	618	470	148
Accounts receivable, net	12,216	12,576	(360)
Inventories	1,040	1,075	(35)
Prepaid expenses and other	6,295	4,021	2,274
Total current assets	21,957	21,235	722
Plant, property and equipment	215,224	209,575	5,649
Less accumulated depreciation	126,892	120,933	5,959
	88,332	88,642	(310)
Investments in unconsolidated businesses	3,319	3,401	(82)
Wireless licenses	75,825	77,744	(1,919)
Goodwill	24,336	24,139	197
Other intangible assets, net	5,776	5,933	(157)
Other assets	3,801	4,128	(327)
Total Assets	\$ 223,346	\$ 225,222	\$ (1,876)
Liabilities and Equity			
Current liabilities			
Debt maturing within one year	\$ 7,961	\$ 4,369	\$ 3,592
Accounts payable and accrued liabilities	14,671	16,182	(1,511)
Other	6,559	6,405	154
Total current liabilities	29,191	26,956	2,235
Long-term debt	41,791	47,618	(5,827)
Employee benefit obligations	33,835	34,346	(511)
Deferred income taxes	25,696	24,677	1,019
Other liabilities	5,677	6,092	(415)
Equity			
Common stock	297	297	-
Contributed capital	37,895	37,990	(95)
Accumulated deficit	(2,483)	(3,734)	1,251
Accumulated other comprehensive income	1,994	2,235	(241)
Common stock in treasury, at cost	(3,974)	(4,071)	97
Deferred compensation - employee stock ownership plans and other	332	440	(108)
Noncontrolling interests	53,095	52,376	719
Total equity	87,156	85,533	1,623
Total Liabilities and Equity	\$ 223,346	\$ 225,222	\$ (1,876)

Verizon - Selected Financial and Operating Statistics

Unaudited	6/30/13	12/31/12
Total debt (in millions)	\$ 49,752	\$ 51,987
Net debt (in millions)	\$ 47,964	\$ 48,894
Net debt / Adjusted EBITDA ⁽¹⁾	1.2x	1.3x
Common shares outstanding end of period (in millions)	2,862	2,859
Total employees	180,900	183,400
Quarterly cash dividends declared per common share	\$ 0.5150	\$ 0.5150

Footnotes:

(1) Adjusted EBITDA excludes the effects of non-operational items.

The unaudited condensed consolidated balance sheets are based on preliminary information.

Condensed Consolidated Statements of Cash Flows

(dollars in millions)

Unaudited	6 Mos. Ended 6/30/13	6 Mos. Ended 6/30/12	\$ Change
Cash Flows From Operating Activities			
Net Income	\$ 10,053	\$ 8,191	\$ 1,862
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	8,269	8,156	113
Employee retirement benefits	354	751	(397)
Deferred income taxes	1,812	1,237	575
Provision for uncollectible accounts	507	521	(14)
Equity in earnings of unconsolidated businesses, net of dividends received	(95)	(149)	54
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(1,660)	(1,136)	(524)
Other, net	(2,092)	(2,300)	208
Net cash provided by operating activities	<u>17,148</u>	<u>15,271</u>	<u>1,877</u>
Cash Flows From Investing Activities			
Capital expenditures (including capitalized software)	(7,616)	(7,430)	(186)
Acquisitions of investments and businesses, net of cash acquired	(76)	(203)	127
Acquisitions of wireless licenses, net	(264)	(33)	(231)
Net change in short-term investments	(21)	21	(42)
Other, net	142	61	81
Net cash used in investing activities	<u>(7,835)</u>	<u>(7,584)</u>	<u>(251)</u>
Cash Flows From Financing Activities			
Proceeds from long-term borrowings	499	-	499
Repayments of long-term borrowings and capital lease obligations	(2,330)	(1,891)	(439)
Decrease in short-term obligations, excluding current maturities	(432)	(887)	455
Dividends paid	(2,946)	(2,587)	(359)
Proceeds from sale of common stock	74	210	(136)
Purchase of common stock for treasury	(153)	-	(153)
Special distribution to noncontrolling interests	(3,150)	(4,500)	1,350
Other, net	(2,180)	(1,393)	(787)
Net cash used in financing activities	<u>(10,618)</u>	<u>(11,048)</u>	<u>430</u>
Decrease in cash and cash equivalents	(1,305)	(3,361)	2,056
Cash and cash equivalents, beginning of period	3,093	13,362	(10,269)
Cash and cash equivalents, end of period	\$ 1,788	\$ 10,001	\$ (8,213)

Wireless – Selected Financial Results

(dollars in millions)

Unaudited	3 Mos. Ended 6/30/13	3 Mos. Ended 6/30/12	% Change	6 Mos. Ended 6/30/13	6 Mos. Ended 6/30/12	% Change
Operating Revenues						
Retail service	\$ 16,422	\$ 15,230	7.8	\$ 32,591	\$ 30,116	8.2
Other service	656	546	20.1	1,215	1,070	13.6
Service	<u>17,078</u>	<u>15,776</u>	8.3	<u>33,806</u>	<u>31,186</u>	8.4
Equipment	1,953	1,768	10.5	3,766	3,606	4.4
Other	945	1,033	(8.5)	1,927	2,058	(6.4)
Total Operating Revenues	<u>19,976</u>	<u>18,577</u>	7.5	<u>39,499</u>	<u>36,850</u>	7.2
Operating Expenses						
Cost of services and sales	5,799	5,558	4.3	11,450	11,468	(0.2)
Selling, general and administrative expense	5,666	5,295	7.0	11,114	10,523	5.6
Depreciation and amortization expense	<u>2,047</u>	<u>2,011</u>	1.8	<u>4,053</u>	<u>3,929</u>	3.2
Total Operating Expenses	<u>13,512</u>	<u>12,864</u>	5.0	<u>26,617</u>	<u>25,920</u>	2.7
Operating Income	\$ 6,464	\$ 5,713	13.1	\$ 12,882	\$ 10,930	17.9
Operating Income Margin	32.4%	30.8%		32.6%	29.7%	
Segment EBITDA	\$ 8,511	\$ 7,724	10.2	\$ 16,935	\$ 14,859	14.0
Segment EBITDA Service Margin	49.8%	49.0%		50.1%	47.6%	

Footnotes:

The segment financial results and metrics above are adjusted to exclude the effects of non-operational items, as the Company's chief operating decision maker excludes these items in assessing business unit performance.

Intersegment transactions have not been eliminated.

Certain reclassifications have been made, where appropriate, to reflect comparable operating results.

Wireless – Selected Operating Statistics

Unaudited	6/30/13	6/30/12	% Change
Connections ('000)			
Retail postpaid	94,271	88,838	6.1
Retail prepaid	5,853	5,316	10.1
Retail	100,124	94,154	6.3

Unaudited	3 Mos. Ended 6/30/13	3 Mos. Ended 6/30/12	% Change	6 Mos. Ended 6/30/13	6 Mos. Ended 6/30/12	% Change
Net Add Detail ('000)⁽¹⁾						
Retail postpaid	941	888	6.0	1,618	1,389	16.5
Retail prepaid	97	290	(66.6)	140	523	(73.2)
Retail	1,038	1,178	(11.9)	1,758	1,912	(8.1)

Account Statistics

Retail Postpaid Accounts ('000) ⁽²⁾				34,958	34,646	0.9
Retail postpaid ARPA	\$ 152.50	\$ 143.32	6.4	\$ 151.39	\$ 141.95	6.7
Retail postpaid connections per account ⁽²⁾				2.70	2.56	5.5

Churn Detail

Retail postpaid	0.93%	0.84%		0.97%	0.90%	
Retail	1.23%	1.11%		1.27%	1.18%	

Retail Postpaid Connection Statistics

Total Smartphone postpaid % of phones activated	84.4%	71.6%		84.3%	71.3%	
Total Smartphone postpaid phone base ⁽²⁾				64.4%	49.7%	
Total Internet postpaid base ⁽²⁾				9.9%	8.5%	

Other Operating Statistics

Capital expenditures (in millions)	\$ 2,278	\$ 2,048	11.2	\$ 4,270	\$ 3,933	8.6
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Footnotes:

(1) Connection net additions exclude acquisitions and adjustments.

(2) Statistics presented as of end of period.

The segment financial results and metrics above are adjusted to exclude the effects of non-operational items, as the Company's chief operating decision maker excludes these items in assessing business unit performance.

Intersegment transactions have not been eliminated.

Certain reclassifications have been made, where appropriate, to reflect comparable operating results.

Wireline – Selected Financial Results

(dollars in millions)

Unaudited	3 Mos. Ended 6/30/13	3 Mos. Ended 6/30/12	% Change	6 Mos. Ended 6/30/13	6 Mos. Ended 6/30/12	% Change
Operating Revenues						
Consumer retail	\$ 3,643	\$ 3,478	4.7	\$ 7,232	\$ 6,919	4.5
Small business	648	667	(2.8)	1,299	1,329	(2.3)
Mass Markets	4,291	4,145	3.5	8,531	8,248	3.4
Strategic services	2,079	1,983	4.8	4,166	3,952	5.4
Core	1,557	1,837	(15.2)	3,223	3,720	(13.4)
Global Enterprise	3,636	3,820	(4.8)	7,389	7,672	(3.7)
Global Wholesale	1,686	1,827	(7.7)	3,413	3,688	(7.5)
Other	121	139	(12.9)	231	268	(13.8)
Total Operating Revenues	9,734	9,931	(2.0)	19,564	19,876	(1.6)
Operating Expenses						
Cost of services and sales	5,407	5,500	(1.7)	10,864	11,072	(1.9)
Selling, general and administrative expense	2,168	2,141	1.3	4,433	4,267	3.9
Depreciation and amortization expense	2,085	2,102	(0.8)	4,180	4,192	(0.3)
Total Operating Expenses	9,660	9,743	(0.9)	19,477	19,531	(0.3)
Operating Income	\$ 74	\$ 188	(60.6)	\$ 87	\$ 345	(74.8)
Operating Income Margin	0.8%	1.9%		0.4%	1.7%	
Segment EBITDA	\$ 2,159	\$ 2,290	(5.7)	\$ 4,267	\$ 4,537	(6.0)
Segment EBITDA Margin	22.2%	23.1%		21.8%	22.8%	

Footnotes:

The segment financial results and metrics above are adjusted to exclude the effects of non-operational items, as the Company's chief operating decision maker excludes these items in assessing business unit performance.

Intersegment transactions have not been eliminated.

Certain reclassifications have been made, where appropriate, to reflect comparable operating results.

Wireline – Selected Operating Statistics

Unaudited	6/30/13	6/30/12	% Change
Connections ('000)			
FiOS Video Subscribers	5,035	4,473	12.6
FiOS Internet Subscribers	5,773	5,144	12.2
FiOS Digital Voice residence connections	3,817	2,648	44.1
FiOS Digital connections	14,625	12,265	19.2
HSI	3,166	3,632	(12.8)
Total Broadband connections	8,939	8,776	1.9
Primary residence switched access connections	7,200	8,843	(18.6)
Primary residence connections	11,017	11,491	(4.1)
Total retail residence voice connections	11,583	12,222	(5.2)
Total voice connections	21,828	23,278	(6.2)

Unaudited	3 Mos. Ended 6/30/13	3 Mos. Ended 6/30/12	% Change	6 Mos. Ended 6/30/13	6 Mos. Ended 6/30/12	% Change
Net Add Detail ('000)						
FiOS Video Subscribers	140	120	16.7	309	300	3.0
FiOS Internet Subscribers	161	134	20.1	349	327	6.7
FiOS Digital Voice residence connections	286	350	(18.3)	590	764	(22.8)
FiOS Digital connections	587	604	(2.8)	1,248	1,391	(10.3)
HSI	(116)	(132)	(12.1)	(205)	(221)	(7.2)
Total Broadband connections	45	2	*	144	106	35.8
Primary residence switched access connections	(393)	(501)	(21.6)	(782)	(1,063)	(26.4)
Primary residence connections	(107)	(151)	(29.1)	(192)	(299)	(35.8)
Total retail residence voice connections	(142)	(199)	(28.6)	(266)	(404)	(34.2)
Total voice connections	(363)	(422)	(14.0)	(675)	(859)	(21.4)

Revenue and ARPU Statistics

Consumer ARPU	\$ 109.67	\$ 100.26	9.4	\$ 108.46	\$ 99.70	8.8
FiOS revenues (in millions)	\$ 2,731	\$ 2,380	14.7	\$ 5,364	\$ 4,668	14.9
Strategic services as a % of total Enterprise revenues	57.2%	51.9%		56.4%	51.5%	

Other Operating Statistics

Capital expenditures (in millions)	\$ 1,515	\$ 1,596	(5.1)	\$ 2,949	\$ 3,133	(5.9)
Wireline employees ('000)				84.7	88.6	
FiOS Video Open for Sale ('000)				14,607	13,721	
FiOS Video penetration				34.5%	32.6%	
FiOS Internet Open for Sale ('000)				14,943	14,044	
FiOS Internet penetration				38.6%	36.6%	

Footnotes:

The segment financial results and metrics above are adjusted to exclude the effects of non-operational items, as the Company's chief operating decision maker excludes these items in assessing business unit performance.

Intersegment transactions have not been eliminated.

Certain reclassifications have been made, where appropriate, to reflect comparable operating results.

* Not meaningful